

## **Minutes of the Finance Committee**

**Wednesday, July 2, 2014**

Chair Heinrich called the meeting to order at 8:30 a.m.

**Present:** Supervisors Jim Heinrich, Duane Paulson, Richard Morris, Steve Whittow, Bill Zaborowski, Eric Highum, and Larry Nelson

**Also Present:** Chief of Staff Mark Mader, Business Manager Lyndsay Johnson, Accounting Services Manager Larry Dahl, Senior Financial Analyst Danielle Igielski, Principal Financial Projects Analyst Bob Ries, Budget Manager Linda Witkowski, Administration Director Norm Cummings, Budget Manager Linda Witkowski, and Information Technology Manager Mike Biagioli. Recorded by Mary Pedersen, County Board Office.

### **Approve Minutes of June 18**

MOTION: Paulson moved, second by Morris to approve the minutes of June 18. Motion carried 7-0.

### **Schedule Next Meeting Date**

- July 16

### **Contract Procurement Process for the Inmate Phone System**

Johnson indicated this five-year contract was awarded to Inmate Calling Solutions (ICS), the highest rated proposer, for a total contract cost of \$2,636,404. The first year budgeted amount is \$340,000 (revenue budget). The first year includes a signing bonus of \$100,000. The remaining years are based on past history and could increase or decrease based on actual usage. Five contractors submitted RFPs for consideration and four were interviewed. Zaborowski, a member of the RFP Committee, said the County receives a commission for each phone call. The highest possible commission percentage is 82.10% and revenues for the County the first year are listed at \$607,280.79. Years two through five showed a total revenue figure of \$2,029,123.17.

MOTION: Paulson moved, second by Zaborowski to approve the contract procurement process for the inmate phone system. Motion carried 7-0.

### **Overview of the Comprehensive Annual Financial Report (CAFR)**

Dahl, Ries, and Igielski were present to review the Waukesha County CAFR for the year ending 2014 including the introductory and financial sections, General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Proprietary Funds, Fiduciary Funds, Long Term Debt and Capital Assets, and the statistical section.

Dahl advised this report serves the same purpose as a corporate financial report and reflects actual County budgetary results. This document is audited by a third party. Dahl discussed the importance of the report and said it is utilized by investors and credit rating agencies for bond issue purposes. The report may also be viewed by regulators, granting agencies, the press, and public.

MOTION: Nelson moved, second by Highum to accept the 2013 CAFR. Motion carried 7-0.

### **Review End User Cost Allocation Plan**

Dahl reviewed the report as outlined which included information on history, trends, tax levy subsidy shifts, cost allocation bases, preliminary 2015 EUTF allocations, server point allocations, etc. Dahl advised this internal service fund provides the technology infrastructure including desktop PCs, security, technical support, etc. The major objective of this plan is to allocate user costs based on IT resources consumed, providing opportunities for departments and programs to create cost savings through good decisions. The proposed 2015 budget continues a limitation of a 2% or less increase County-wide. The budget will include an increase of \$24,900 due to an unusually high level of equipment replacement. Fund balance usage should decrease significantly in 2016. The plan for future budgets is to continue to reduce reliance on fund balance usage and manage costs through savings measures (e.g., virtualization, moves to Cloud). Cummings indicated the goal is to limit annual increases to no more than 2% each year. Dahl added that this will be a challenge as technology advances and the County will need to identify the real cost drivers.

### **Budget Assumptions/Kickoff Information**

Cummings and Witkowski reviewed the 2015 budget kickoff materials which included information on strategic outcomes, long-term strategic budgeting under a challenging fiscal environment, internal and external budget environments, revenue issues, and levy targets per County department. Cummings said the 2015 budget is likely the most difficult budget in a decade, primarily due to revenue losses. He hopes to see improvements in 2016.

The external budget environment includes continued moderate economic recovery, low interest rates expected to continue although higher interest rates expected in mid-2015, moderate inflationary cost increases trending upward in 2015, housing deflation of the past five years should begin to reverse, and federal and state revenues are stable overall. The internal budget environment includes health insurance premiums to only increase 1% to 1.5% in 2015, reduced debt service levy due to past refinancing and historically low borrowing rates, and capital and non-departmental levy reduced to allocate more to operating program budgets.

Cummings said the major revenue shortfall is expected to total about \$1,270,000 in the 2015 budget. This will require levy increases to offset the revenue loss and fund balances will be phased down to reduce (spread) the revenue loss over future years. Departments are also asked to decrease spending to make up for revenue/funding losses. Witkowski went on to review levy targets per department.

### **Mid-year Department of Administration Budget Status Report**

Cummings and Biagioli were present to give a status update on the department's major strategic objectives in 2014. No major concerns were raised although some delays or potential delays were noted.

MOTION: Paulson moved, second by Morris to accept the mid-year Department of Administration budget status report. Motion carried 7-0.

### **Mid-year Status Report on Department of Administration Capital Projects**

Cummings and Biagioli were present to give a status update on the department's capital projects. No major concerns were raised although some delays or potential delays were noted.

MOTION: Zaborowski moved, second by Highum to accept the mid-year status report on Department of Administration capital projects. Motion carried 7-0.

MOTION: Highum moved, second by Morris to adjourn at 11:11 a.m. Motion carried 7-0.

Respectfully submitted,

William J. Zaborowski  
Secretary